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DE RUEHAH #0216/01 0471219
ZNR UUUUU ZZH
P 161219Z FEB 10
FM AMEMBASSY ASHGABAT
TO RUEHC/SECSTATE WASHDC 4256
INFO RUCPDO/DEPT OF COMMERCE WASHDC PRIORITY
RUEATRS/DEPT OF TREASURY WASHDC PRIORITY
RUCNCLS/ALL SOUTH AND CENTRAL ASIA COLLECTIVE
RUCNCIS/CIS COLLECTIVE
RUCNMEM/EU MEMBER STATES COLLECTIVE
RUEHAK/AMEMBASSY ANKARA 6263
RUEHBJ/AMEMBASSY BEIJING 3937
RUEHKO/AMEMBASSY TOKYO 3796
RUEHIT/AMCONSUL ISTANBUL 4507
RUCNDT/USMISSION USUN NEW YORK 1488
RHMCSUU/CDR USCENCOM MACDILL AFB FL
RUEHVEN/USMISSION USOSCE 4407
RUEAIIA/CIA WASHDC
RHEFDIA/DIA WASHDC
RHEHNSC/NSC WASHDC
RUEKJCS/SECDEF WASHDC
RUEKJCS/JOINT STAFF WASHDC

UNCLAS SECTION 01 OF 02 ASHGABAT 000216

SENSITIVE

SIPDIS

STATE FOR SCA/CEN; EEB
ENERGY FOR EKIMOFF/BURPOE/COHEN
COMMERCE FOR EHOUSE/DSTARKS

E.O. 12958: N/A

TAGS: [EPET](#) [PGOV](#) [EINV](#) [KS](#) [TX](#)

SUBJECT: HYUNDAI TO BUILD GAS FACILITY IN TURKMENISTAN

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11. (U) Sensitive but unclassified. Not for public Internet.

12. (SBU) SUMMARY: Hyundai Engineering Company Ltd. (HEC) is preparing to launch construction of a gas processing plant at the South Yoloten gas field, Turkmenistan's largest. The construction agreement was signed with government-run Turkmengaz State Concern in December 2009. HEC's country manager asserted that its experience, full compliance with Turkmen Government requirements, and marketing efforts were key to winning the contract. One U.S. equipment provider is already signed up for the project, and there might be more opportunities for American participation. HEC plans to complete the project in 2013. END SUMMARY

13. (SBU) On December 29, 2009, HEC, jointly with its partner LG International Corporation, signed a \$1.48 billion contract with Turkmengaz for construction of a gas processing plant at the South Yoloten gas field. The plant will have a capacity of 10 bcm per year. The project is part of the first phase of South Yoloten development. Although the contract was signed jointly with LG, HEC will carry out the lion's share of the project. The company is already preparing to begin construction, entering contracts with equipment suppliers and subcontractors and recruiting personnel. The company will hire about 2,000 local workers to build the project, hiring either a local or a Turkish construction company to complete low-tech aspects of the project.

14. (SBU) HEC recently awarded a contract to Jacobs Engineering Group Inc., a U.S. company, to license and design a desulphurization unit for the gas processing plant. According to HEC's Turkmenistan country manager, more American companies might become involved in the project as subcontractors or equipment suppliers. Decisions about awarding subcontracts are made at HEC's head office, which is responsible for evaluating and hiring subcontractors.

¶5. (SBU) HEC's Turkmenistan country manager shared that the company's first steps in Turkmenistan were not easy, and HEC faced many bureaucratic hurdles. Even getting visas for HEC's personnel presented a problem. The situation changed dramatically after the company signed the contract with Turkmengaz. Now, the company enjoys the full support of Turkmengaz in solving any bureaucratic or organizational issues.

¶6. (SBU) The HEC country manager told Embassy economic assistant that construction will start in May 2010, with completion expected in 2013. Following completion, Turkmengaz will take over operations at the gas plant. HEC will continue to provide technical services. During construction, HEC will train Turkmengaz personnel who will work at the plant. HEC plans to bid for another project when the Turkmen Government proceeds with the second phase of South Yoloten development.

¶7. (SBU) The country manager pointed out three factors that led to the company winning the contract. The most important factor was HEC's experience in implementing such projects worldwide. Moreover, in 1999-2001, HEC was involved in building a polypropylene production unit at the Turkmenbashi Oil Refinery. A second factor was that HEC has always complied with all Turkmengaz requirements, while other companies tried to modify them and some even attempted to lecture Turkmengaz about the international standards of doing business. The country manager also mentioned its marketing efforts as a third factor, but declined to be specific, only saying that the company did the best it could.

¶8. (SBU) COMMENT: In light of what looks like increasing

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Chinese demand for Turkmen gas, Turkmenistan hopes to increase gas exports to China up to 40 bcm per year by 2014. South Yoloten production is a priority to meet that Chinese export target, plus satisfy additional demand from Iran and Russia. Although the NEC official was coy about the company's marketing efforts, high-level Turkmen Government officials and influential local businessmen reportedly lobbied very actively to help HEC win the contract. Berdimuhamedov's November 2008 visit to South Korea might also have contributed to HEC's winning the contract. HEC's activities in the Turkmen market are a positive development for Turkmenistan as the company will bring state-of-the-art technologies and expertise to the country. For American companies, HEC's presence in Turkmenistan might create additional opportunities to enter the Turkmen market as subcontractors or high-tech equipment suppliers. END COMMENT

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